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SUBJECT: IRAN REGIONAL PRESENCE OFFICE - WINDOW ON IRAN - MAY 13, 2009

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CLASSIFIED BY: Ramin Asgard, Director, Iran Regional Presence Office - Dubai, DOS.

REASON: 1.4 (b), (d)

11. [S/NF] Iranian Media Largely Ignore Saberi's Release: Iranian official and semi-official media provided minimal reporting on the court decision to free Roxanna Saberi. IRNA, for example, limited its coverage to a short, factual story quoting from foreign press sources. Judiciary spokesman Alireza Jamshidi was shown on one state-run network announcing the decision and citing Saberi's cooperation, her expression of regret, and the Islamic principle of compassion as factors in the judges' decision to reduce her sentence. Tabnak, the newspaper of former IRGC commander and presidential candidate Mohsen Rezai, ran a short article that raised the question of whether the Ahmadinejad government would now press for the release of Iranians in US custody in Iraq. Comment: The dearth of official press on this story, like the President's Nowruz address, suggests strongly that the IRIG is nervous about public reaction to any story that might suggest a rush toward engagement with the US.

12. [S/NF] VOA Panelists Said to Advocate Election Boycott: A reform-minded IRPO contact complained to us that VOA recently aired a program in which panelists were calling for Iranians to boycott the presidential election. She suggested other VOA programming had also featured speakers advocating that Iranians stay home from the polls. Whether it was USG policy or not, she said, many Iranians would believe it was because it was being carried on VOA. She also said that such appeals undermined VOA's credibility among its Iranian audience. Comment: This is one of several complaints we've heard recently about VOA, as Iranians tell us that while still popular, VOA is seen as less objective and more removed from Iran than the BBC Persian Service. IRPO highlights this complaint particularly as it runs contrary to our stated policy of non-interference in the Iranian elections. Furthermore and perhaps more important, low voter turnout may cast doubt on regime legitimacy, but will almost certainly ensure AN - who enjoys both a solid core constituency and incumbency advantages - will win.

13. [S/NF] MFA Spokesman Does Little to Clarify Existence of MFA Exchanges Commission: During his weekly press conference, MFA

spokesman Hassan Qashqavi was asked whether Iranian soccer team Persepolis would be allowed to tour the U.S. According to the translation being given during Press TV's live coverage, Qashqavi said that such travel is governed by "the committee" and it scrutinizes requested travel closely. Clearly caught off guard by the question, Qashqavi stumbled in answering further, contradicting himself as to whether the committee was part of the MFA or a separate entity to which MFA provided input. Comment: A clear answer from Qashqavi would have officially confirmed the existence of the purported MFA Exchanges Committee. His fumbling answer, and translation that was not perfect, leaves us with no better information on what role MFA may play in overseeing exchanges with the US.

¶4. [S/NF] Mousavi's Attempt to Woo Academics Described as Uninspiring: Two partners in a private equity fund based in Tehran described presidential candidate Mir Hossein Mousavi's performance at a meeting with academics and intellectuals at the University of Tehran earlier this week as "uninspiring" and noted that any of the four professors who spoke before Mousavi would have made a more exciting candidate. According to the contacts, Mousavi pointed to his ability to get funding for the Iranian Academy of Arts as one of his most significant recent managerial accomplishments, an example that left the audience less than dazzled. They also mentioned that though Mousavi's wife, Zahra Rahnavard, did not address the audience, she sat at a table near the podium taking notes, several of which she passed to her husband during the Q&A session. The senior fund manager observed that while he found Mousavi to be intelligent and straightforward, he attributed much of the support his campaign has earned so far directly to Khatami's endorsement and activity on behalf of Mousavi's candidacy. He also said that former President Khatami's brother, Ali Khatami, requested a meeting with him in late April on behalf of his older brother to solicit the fund manager's support for Mousavi. According to the contact, Mousavi made a conscious decision several weeks ago to fully engage Khatami's "star power" and fundraising

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potential, and in addition to now publicly campaigning with him, is asking Khatami to personally solicit financial support on behalf of the campaign. Comment: While their comments about Mousavi's demeanor at the University of Tehran meeting tracks with the conventional wisdom that he is not a charismatic candidate, other IRPO contacts have observed that during large rallies he is able to generate enthusiasm, although not on the level of Khatami. The campaign for the support of academics and intellectual elites likely results from the numerous recent endorsements of Mehdi Karroubi by high-profile reformist thinkers such as Abbas Abdi, Ali Abtahi, and most recently, Abdolkarim Soroush.

¶5. [SBU] IMF Predicts Solid Iran GDP Growth 2009-2010: On May 10, the IMF published its Regional Economic Outlook for the Middle East, which projects 3.2 percent GDP growth for Iran in 2009 and 3.0 percent in 2010. Growth in non-oil GDP is forecast at 4.0 percent in 2009 and 3.5 percent in 2010, with oil GDP contracting by -4.0 (2009) and -2.0 (2010). The IMF's growth projections for Iran are higher than the forecasted regional average for oil exporters of 2.3 percent growth. At a presentation of the report hosted by the Dubai International Financial Centre, IMF Director of the Middle East and South Asia Dr. Masood Ahmed noted that while the financial crisis has had a negative impact, the Middle East has been less impacted than most developing countries. The IMF highlighted that inflation is trending downward worldwide due to falling demand and falling commodity prices. In April, Iran's Central Bank reported that inflation had dropped to 19 percent and would continue to decline. Comment: Global deflationary tendencies, rather than Central Bank inflation targeting, are likely responsible for this decrease in inflation.

¶16. [C] Factory Owners Report Challenges, but No Crisis: Iranian factory owners applying for visas in Dubai have taken moderate steps to respond to the weakening Iranian economy. Specifically, a packaging materials factory has reduced wages for some employees; a paper manufacturing company has reduced their work day from three shifts to two shifts; and, a ladies underwear manufacturing company has cut back its workload by roughly 20 percent. A plastics manufacturer reported that due to liquidity problems in Iran, he faces a two to three month delay in getting payments. An iron importing company said demand from the factory they sell to has decreased the price they pay approximately 50 percent. Still, the reports are not entirely negative. A shampoo and soap manufacturing company said business is good and the company is hiring.

¶17. [C] Iranian Businessman Offers Countervailing View of Public Sentiment toward the US: An Iranian businessman in Dubai to pick up his visa estimated that 50-60 percent of Iranians oppose the resumption of official ties with the US. He explained that many Iranians are "illiterate" or "uneducated" and take to heart the IRIG's demonization of the USG. Continuing, he considers their opposition to the resumption of ties significant, forcing the IRIG to take gradual steps toward reconciliation. The businessman also dismissed the potential, if reconciliation fails, for an anti-regime protest from those that want better ties with the US - he said such people, like himself, have no power at all in Iran. Comment: IRPO conoff has met with the Iranian businessman before; he is involved in the construction industry and owns a fast food restaurant. His view of Iran's "illiterates" should not be considered an authoritative assessment - he has not recently been to South Tehran, and similarly, probably has not ventured into Iran's rural areas to discuss these matters. But his views still raise a few points. First, his comments suggest the IRIG is not and will not be responsive to domestic pressure to improve ties with the US. Second, Tehran may feel more pressure from the anti-US cohort, perhaps explaining Iran's own pre-conditions and the Iranian rhetoric surrounding engagement. And finally, his views illustrate the disdain many elite Iranians have for their rural countrymen.

¶18. [S/NF] Facade of American Embassy in Tehran Unchanged

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(reftel): A Tehran-based investment fund manager, in response to a query about reports of anti-American propaganda being taken down in Tehran, reported that he saw the embassy compound on May 6 when he attended a meeting in a nearby office building. He said the murals on the compound have not been painted over or covered in any way.

¶19. [U] Window on Iran is a classified, weekly product providing Washington policy community and Iran watcher highlights of key developments on Iran. It is produced by the Iran Regional Presence Office - Dubai. Please direct any questions/comments to: Kay McGowan (mcgowanka2@state.sgov.gov) or Charlie Pennypacker (pennypacker@state.sgov.gov).
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